

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7076**

**BILL NUMBER:** SB 308

**NOTE PREPARED:** Jan 14, 2014

**BILL AMENDED:**

**SUBJECT:** Sports and Convention Development Areas.

**FIRST AUTHOR:** Sen. Wyss

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill extends the expiration date of the statute governing Professional Sports Development Areas (PSDA) outside Marion County from December 31, 2027, to December 31, 2040. (Current law provides that the statute governing PSDAs in Marion County expires December 31, 2040.)

The bill provides that a resolution establishing a PSDA outside Marion County may be amended after April 30, 2014, and before May 1, 2016.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** *State Budget Agency (SBA) and State Budget Committee:* Any revisions to the terms governing a PSDA must be reviewed by the State Budget Committee and approved by the SBA. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

**Explanation of State Revenues:** The bill extends the expiration date of the PSDA statute governing those areas outside of Marion County. There are currently three PSDAs outside of Marion county: Allen County, Evansville, and South Bend. Extending the expiration date only affects the state revenue capture for the Allen County PSDA. The Evansville and South Bend PSDAs can only capture state tax revenue for 20 consecutive years. So, the state revenue capture extends to 2018 for South Bend and 2019 for Evansville.

*Allen County PSDA:* The Allen County PSDA is allowed to capture state Sales and Use Tax, state Individual Adjusted Gross Income (AGI) Tax, and county option income tax. The annual capture limit for the Allen

County PSDA is \$3 M. In FY 2010, the Allen County PSDA began receiving the maximum \$3 M per year. Approximately 85% of the capture amount was comprised of state taxes, with \$1.6 M from state Individual AGI Tax and \$1.0 M from Sales and Use Tax. This bill may reduce state revenue collections by an estimated \$2.6 M a year beginning in FY 2028. However, the statute requires that the county option income tax captured must be counted first towards the \$3 M per year cap. Increases in the county option income tax captured within the PSDA could reduce the amount of state revenue captured by the PSDA in the future.

*Evansville and South Bend PSDAs:* If Evansville or South Bend revised the resolutions governing their PSDAs to include additional territory, it could result in additional capture of state tax revenue. Actual changes in state tax revenue are indeterminable and contingent on local actions. However, the total state tax revenue capture are still limited by the per capita maximums established in statute.

In FY 2011, the Evansville PSDA captured \$14,000 in state Individual AGI Tax and \$37,000 in Sales and Use Tax. The South Bend PSDA captured \$249,000 in state Individual AGI Tax and \$346,000 in Sales and Use Tax in FY 2011.

*Additional Information* - Individual Income Tax revenue is deposited in the state General Fund. Sales tax revenue is deposited in the state General Fund (98.848%), the Motor Vehicle Highway Account (1.000%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Except for the Allen County PSDA, the PSDAs outside Marion County are authorized to capture revenue from Sales and Use Tax, state Individual AGI Tax, county option income tax, and food and beverage tax generated at the convention and sports facilities contained in the PSDA. The Allen County PSDA is not allowed to capture revenue from the food and beverage tax.

Each PSDA has a different revenue capture limit. The Allen County PSDA is restricted to an annual total of \$3 M, including both local and state revenue. The Evansville PSDA state tax capture limit is \$5 per capita of city population, or \$587,145 based on the 2010 Census. The South Bend state tax capture limit is \$6.50 per capita of city population, or \$657,592 based on the 2010 Census.

**Explanation of Local Expenditures:** The bill allows the local governing bodies to change the resolutions or the terms governing the PSDA. However, the PSDAs are only authorized to make changes between May 1, 2014 and April 30, 2016.

**Explanation of Local Revenues:** The bill allows the PSDAs to exist until December 31, 2040, provided the resolution establishing the tax area is revised. This would allow the PSDAs to continue to capture county option income tax and food and beverage tax revenue until 2041.

*Allen County PSDA:* If the Allen County PSDA is extended, it will likely continue to annually capture \$3 M in state and local tax revenue beginning in FY 2028. Based on the current distribution of taxes captured, approximately 15% or \$0.4 M will be from the local income tax imposed by Allen County.

*Evansville and South Bend PSDAs:* If the Evansville or South Bend PSDAs are extended, they could continue to capture county option income tax and food and beverage tax revenue until 2041. The PSDAs could also amend the resolution to include additional territory, which could result in additional capture of local tax revenue. Actual changes in local tax revenue are indeterminable and contingent on local actions.

In FY 2011, the Evansville PSDA received \$3,000 in local income tax and \$5,000 in food and beverage

tax. The South Bend PSDA captured \$53,000 in local income tax in FY 2011.

**State Agencies Affected:** State Budget Agency; Department of State Revenue.

**Local Agencies Affected:** Allen County, Evansville, South Bend.

**Information Sources:** LSA, *Fiscal Issue Brief - Indiana's Geographically Targeted Development Programs: Professional Sports and Convention Development Areas*, July 1, 2012.

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